



Guidelines on repurchase and reverse repurchase agreements for Undertaking for Collective Investment in Transferable Securities Funds (UCITS). March 2013.

ESMA has published, on the 4 December 2012, a final report containing the Guidelines on repurchase and reverse repurchase agreements, with the purpose of establishing a comprehensive framework for Undertakings for Collective Investment in Transferable Securities (forward UCITS) that will increase transparency and investor protection and contribute to safeguarding the stability of financial markets.

ESMA had previously issued -in the Annex IV of the report describing the guidelines on Exchange Traded Funds and other UCITS issued in July 2012)- a consultation paper on the condition of recallable (recallability) of any assets and cash in repo and reverse repo arrangements, respectively, entered by UCITS. In that consultation paper ESMA proposed that a proportion of the assets and the cash of those repo and reverse repo arrangement would be non-recallable at any time at the initiative of the UCIT, and describe safeguards to ensure that the counterparty risk arising from these arrangements is limited and that UCIT entering such arrangements can continue to execute redemption requests. ESMA asked the stakeholders, concretely, about the proportion of assets and/or cash that should be non recallable.

This final report contains a statement with the feedback to the consultation report and two annexes: annex I is a cost-benefit analysis of the proposals described in the paper and annex II that incorporates the guidelines on repurchase and reverse repurchase agreements for UCITS.

The final guidelines, unlike the proposal of the consultation paper and taking into account the stakeholders answers, state that UCITS should only enter repo and reverse repo agreements if they are able to recall totally any assets or the full amount, respectively, at any time.

A UCIT that enters into a repurchase agreement should ensure that is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered

A UCIT enters into a reverse repurchase agreement should ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value of the UCIT.

ESMA considers that fixed-term repurchase and reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets or the cash to be recalled at any time by the UCITS.

This guidelines' text will be incorporated into section X about efficient portfolio management techniques of the guidelines on Exchange Traded Funds and other UCITS issued by ESMA in July 2012.

These guidelines will now be translated into all EU languages and will enter into force two months alter the publication of the translations in ESMA's webpage.

If you want to read the final report that contains the guidelines on repurchase and reverse repurchase agreements, please, do click, on: <http://www.esma.europa.eu/system/files/2012-722.pdf>

If you want to read the consultation paper -incorporated as Annex IV of the report on guidelines on Exchange Traded Funds and other UCITS issued in July 2012) previous to the final report with the guidelines on repurchase and reverse repurchase agreements, please, do click, on: <http://www.esma.europa.eu/system/files/2012-474.pdf>

If you want to read the guidelines for competent authorities and UCITs management companies on Exchange Traded Funds and other UCITs issues, please do click on:http://www.esma.europa.eu/system/files/esma_en_0.pdf